

Message Text

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DRAFTED BY EB/OT/STA:WCLARK, JR.

APPROVED BY EB/ITP:WGEIMER

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FM SECSTATE WASHDC

TO AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: ETRD, AU

SUBJECT: SPECIALTY STEEL

1. AMBASSADOR HALUSA CALLED ON DEPUTY ASSISTANT SECRETARY GEIMER AFTERNOON JULY 12 TO MAKE POINTS CONTAINED IN AIDE-MEMOIRE REPEATED BELOW. MAIN CONCERN OF AUSTRIA CONTINUES TO BE FEAR THAT NEW ENTRANTS INTO TOOL STEEL MARKET WILL RUSH IN AND FILL UP TOOL STEEL QUOTA IN BASKET AND GREATLY DISADVANTAGE AUSTRIA.

2. IN RESPONSE GEIMER POINTED OUT THAT U.S. HAD NOT INTENDED TO DISADVANTAGE AUSTRIA BY INCLUDING IT IN BASKET GROUP. EFFORT HAD BEEN MADE TO KEEP QUOTA SYSTEM SIMPLE AND ONLY COUNTRIES SUPPLYING MORE THAN 5 PERCENT OF TOTAL U.S. IMPORTS OF SPECIALTY STEEL HAD BEEN GIVEN COUNTRY

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QUOTAS. FURTHER, WE CONTINUE TO BELIEVE THAT 3,600 TON

TOOL STEEL QUOTA IN BASKET WILL PROVIDE GOOD OPPORTUNITY FOR AUSTRIA TO MAINTAIN ITS TRADITIONAL POSITION IN THE U.S. MARKET. GEIMER POINTED OUT THAT U.S. WAS MONITORING SPECIALTY STEEL QUOTA ON A MONTHLY BASIS AND WOULD CONSIDER REMEDIAL ACTION PROMPTLY SHOULD IT APPEAR THAT AUSTRIA WAS BEING SERIOUSLY DISADVANTAGED. WHILE FIGURES CURRENTLY AVAILABLE ONLY COVER BRIEF PERIOD UNDER

QUOTA SYSTEM, THERE IS NO APPARENT DAMAGE TO AUSTRIAN TRADE AT THIS TIME.

3. FOLLOWING IS TEXT OF AUSTRIAN AIDE-MEMOIRE BEGIN TEXT:

THE PRESIDENT'S PROCLAMATION OF JUNE 11, 1976, ESTABLISHING TEMPORARY QUANTITATIVE LIMITATIONS ON THE IMPORTATION INTO THE UNITED STATES OF CERTAIN SPECIALTY STEEL ARTICLES HAS ALREADY BEEN COMMENTED UPON SEVERAL TIMES FROM THE POINT OF VIEW OF AUSTRIA. THE CRUCIAL POINT IS AUSTRIA'S INCLUSION, WITHIN THE ALLOY TOOL STEEL CATEGORY, INTO THE "BASKET" QUOTA IN CONTRAST TO ALL OTHER MAJOR TOOL STEEL IMPORTERS WHICH WERE PROVIDED INDIVIDUAL QUOTAS. THE AUSTRIAN GOVERNMENT HAS REPEATEDLY URGED THE UNITED STATES TO BREAK AUSTRIA OUT OF THE TOOL STEEL BASKET AND GIVEN DETAILED ACCOUNT OF THE REASONS WHICH PROMPT AUSTRIA TO INSIST ON THIS REQUEST. MOST RECENTLY, THE AUSTRIAN MINISTER FOR FOREIGN AFFAIRS, DR. ERICH BIELKA, SENT A TELEGRAM IN THE MATTER TO SECRETARY OF STATE HENRY KISSINGER.

IN THE MEANTIME, THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS REITERATED HIS NEGATIVE POSITION TOWARDS AUSTRIA'S REQUEST IN A LETTER OF JULY 2 TO THE COUNSEL FOR THE AUSTRIAN SPECIALTY STEEL INDUSTRY. THE ARGUMENTS EMPLOYED THEREIN DO NOT APPEAR CONVINCING TO THE AUSTRIAN SIDE.

THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS HOLDS, IN ESSENCE, THAT AUSTRIA'S INCLUSION INTO THE BASKET SHOULD BE CONSIDERED A FAVOR INASMUCH AS IT RENDERS IT POSSIBLE FOR HER TO EXCEED HER 1971-75 ANNUAL AVERAGE. LIMITED OFFICIAL USE

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IT IS ARGUED ON THE OTHER HAND THAT TO GIVE AUSTRIA A SEPARATE QUOTA WOULD BE TO GIVE HER A DISTINCT ADVANTAGE IN THAT THERE WOULD BE NO COMPETITION AMONG FIRMS FOR THE QUOTA AMOUNT.

IN THE VIEW OF THE AUSTRIAN GOVERNMENT, THESE ARGUMENTS MISS THE POINT. THE POSSIBILITY TO ENHANCE THE AUSTRIAN SHARE IGNORES THE CONDITIONS OF THE MARKET. IN ORDER TO

MAINTAIN HER HISTORIC IMPORT LEVEL, AUSTRIA WOULD HAVE TO TAKE APPROXIMATELY TWO THIRDS OF THE TOOL STEEL BASKET QUOTA. THE LEAD TIME BETWEEN THE PLACEMENT OF AN ORDER AND THE ENTRY OF THE PRODUCT INTO THE UNITED STATES CUSTOMS IS ABOUT EIGHT MONTHS. WITH AN UNKNOWN NUMBER OF OTHER COUNTRIES ENTERING THEIR TOOL STEEL IMPORTS UNDER THE SAME QUOTA, THE IMPORTER OF AUSTRIAN STEEL WILL NOT BE IN A POSITION TO GUARANTEE DELIVERY, AS THE QUOTA MIGHT BE FILLED BY THE TIME OF THE ATTEMPTED ENTRY. IN THIS

AUSTRIA AS THE ONE LARGE SUPPLIER COUNTRY RISKS MUCH MORE THAN ANY OF THE MANY SMALLER SUPPLIERS IN THE BASKET, AND THE LOSS OF TRADITIONAL CUSTOMERS RESULTING FROM UNFULFILLED DELIVERIES WOULD CONSTITUTE A SERIOUS SETBACK EASILY AVOIDABLE IF AUSTRIA HAD BEEN TREATED THE SAME WAY AS THE OTHER MAJOR SUPPLIERS AND GIVEN A SEPARATE QUOTA. WHEREAS THE LOSS OF ORDERS UNDER THESE CIRCUMSTANCES IS SEEN AS A REAL THREAT, NOBODY IN THE MARKET EXPECTS AN INCREASE OF THE AUSTRIAN MARKET SHARE OVER ITS HISTORIC AVERAGE.

THE ARGUMENT RELATING TO THE INTERNAL STRUCTURE OF THE PRODUCTION OF TOOL STEEL IN AUSTRIA ("NO COMPETITION AMONG FIRMS") SEEMS TO IMPLY THAT THE CASE MIGHT HAVE BEEN HANDLED DIFFERENTLY IF THERE WERE MORE THAN ONE FIRM INVOLVED IN THE PRODUCTION OF TOOL STEEL EXPORTED FROM AUSTRIA TO THE UNITED STATES. BUT WHERE IS THE RELEVANT DIFFERENCE BETWEEN THE SITUATION IN AUSTRIA AND THE SITUATION OF A COUNTRY WHICH ALLOCATES EXPORT QUOTAS TO THE SEVERAL PRODUCERS OR WHOSE PRODUCERS FIND ANOTHER SYSTEM TO SHARE THE TOTAL OF THE COUNTRY'S QUOTA AMONG THEMSELVES? THE ARGUMENT PUT FORTH BY THE SPECIAL TRADE REPRESENTATIVE THUS NOT ONLY IGNORES THE REALITIES LIMITED OFFICIAL USE

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OF TRADE. IT IMPLIES A DISTURBING ELEMENT OF DISCRIMINATION AGAINST SMALLER COUNTRIES AS SUCH WHICH, IN ORDER TO TAKE A FULL PART IN INTERNATIONAL TRADE BASED UPON DIVISION OF LABOR, OFTEN HAVE TO CONSOLIDATE SMALLER FIRMS INTO LARGER ENTITIES MORE ABLE TO SURVIVE IN THE FIELD OF INTERNATIONAL COMPETITION. FINALLY THIS ARGUMENT MAKES NO EFFORT TO RELATE ITSELF TO THE RELEVANT PROVISIONS OF GATT WHERE, TO THE BEST OF OUR KNOWLEDGE, NO DIFFERENTIAL TREATMENT IS PROVIDED AS BETWEEN COUNTRIES WITH ONE FIRM AND COUNTRIES WITH MORE THAN ONE FIRM IN THE FIELD.

AGAIN IT MUST BE STRESSED THAT THE PROSPECT OF BEING TAKEN OUT OF THE QUOTA ONCE THE INJURY DONE TO AUSTRIAN EXPORTS IS CLEARLY DEMONSTRATED CANNOT SUFFICE TO REASSURE

AUSTRIAN INDUSTRY. THIS ACTION SHOULD BE TAKEN NOW TO
AVOID IRRETRIEVABLE LOSS OF ORDERS, LOSS OF CUSTOMERS
AND LOSS OF MARKET SHARE.

WASHINGTON, D.C.

JULY 12TH, 1976

END TEXT.

4. LETTER FROM STR TO AUSTRIAN SPECIALTY STEEL LAYWER,
SENT BY POUCH. KISSINGER

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